



## Compliance and Consumerism Drive Demand for Benefit Point Solutions

By Rhonda Marcucci, Gruppo Marcucci

In 2012, I wrote an article in *Workforce Solutions Review* on point solutions and why I advocate their use for health and welfare benefits enrollment and administration.<sup>1</sup> I argued that point solutions are best for engaging employees and providing more support around the benefit selection process. I also argued that point solution providers were more likely to focus on regulatory compliance, which would become increasingly important as health care reform was implemented.

I stand by my position on the strength of point solutions for benefits administration. The advent of the U.S. Affordable Care Act (ACA) has put the spotlight squarely on two key issues for employers: compliance and consumerism.

The rising cost of health care, along with the much-hyped exchange marketplace, has strongly influenced employers to consider a move to a Defined Contribution model and to offer employees a much wider array of health and welfare benefit choices. With choice, comes the need to provide decision support – not only for how to choose health and welfare benefits, but also how to effectively use those benefits.

In 2012, I wrote, “We must consider the impact of health care reform. Where it’s all headed, no one knows for sure, but most agree that health care reform will continue to shape the benefits administration market and how health and welfare benefits enrollment and administration are managed.”

We now clearly see the impact of health care reform and the role of technology in helping employers manage the

compliance side, as well as increased consumerism. Employees need support to make informed choices about their health care needs and then help to make the best use of their choices. I remain firm in my belief that point solution systems are best suited to address both of these challenges.

### Impact on HCM Systems

Human capital management (HCM) systems (or ERPs) play a vital role in most employer organizations. Human capital management systems that support the “recruit-to-retain” life cycle are appealing as they allow all individual modules to interface smoothly with one another. The challenge with HCMs for benefits stems from the fact that benefits is not (nor likely to be) the core competency of HCM system providers. In fact, the rise of point solutions in the benefits administration arena exists primarily because HCMs failed to effectively provide the necessary functionality for benefits enrollment and administration. The increased complexity of benefit programs, associated with government regulation, and the need to better engage employees in their choices, have caused many companies to look to point solutions to manage their benefits process.

“Employers are open to trying something new,” says Jon Shanahan, president and CEO of Businessolver. “Benefit point solutions were aided by other module point solution providers beating down employers’ doors to offer an HCM alternative for a specific application. We’re the beneficiary of their success. At the same time, the ACA fueled the fire with record keeping and reporting requirements that were difficult for HCMs to quickly add to their systems.”

### Integration Bifurcation

Defined Contribution has opened the door for employees to select the best coverage for their needs. No longer are they choosing from one or two basic health plans. They are choosing from a wider array of medical plans along with numerous ancillary plans, ranging from dental to pet insurance. Most benefit modules within an HCM system don’t handle ancillary services, including common ones such as COBRA administration. Point solution providers are far more agile and provide a higher level of functionality and administration services. The good news in all this is that HCM systems are increasingly integration-friendly.

Human capital management systems understandably advocate for a single application and vendor to minimize com-

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pliance risks. “This avoids the ‘what if one vendor updates a solution, then what happens to how the rest of the system operates?’ issue,” says Jayson Saba, vice president of Strategy at Ceridian. “If this is not possible, it will be critical to opt for point solutions with very strong integration capabilities, such as the ability for the customer to easily configure them.”

Jon Shanahan finds HCM providers are more open to integration than in the past, stating, “One HCM we work with has embraced a partnership program for easy integration when clients say they need something more than can be provided through the HCM platform.”

Companies such as CloudMills have sprung up to help with data integration, allowing separate applications and processes to be accessible immediately to one another via the Cloud. “The HR world has reached a bifurcation point,” says Dianna Sheppard, CEO of CloudMills. “If you’re a bundled solution, you have to play nice with point solutions and vice versa. As best-of-breed point solutions gain momentum, clients want to take advantage of them, but don’t want to give up their HCMs or do manual entry. Point solution vendors know companies make big investments in their HCM systems, which they may keep for as long as 15 years.”

CloudMills reports that the average company has six different applications and replaces one every seven years. Existing HCMs can continue to act as the system of record with point solutions providing the discreet solutions to a unique business problem.

Bill Roth, area vice president for Arthur J. Gallagher & Co.’s employee benefits division in the Mid-Atlantic region, sees the integration of benefit point solutions and HCMs to be increasingly common, “Our brokers also report that employer groups are less resistant to point solutions than in the past, due to the ever-changing landscape of benefits administration and the limitations of many of the HCM systems.”

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### **Compliance and Point Solutions**

Compliance isn’t new, but it has gotten more complex, thanks to the ACA. Moreover, 2015 will bring a whole slew of new compliance requirements as the employer mandate ceases to be voluntary. The Department of Labor’s (DOL) audit scope now includes ACA compliance. Employers (plan sponsors) need to maintain records of all the ACA compliance steps and procedures put into place in a readily accessible format.

So, what are the odds of being audited? Apparently, they are improving. It’s been widely reported that in 2013, the DOL added some 1,000 new enforcement officers. Further, don’t be too confident that you’re in compliance. In 2012, the DOL closed 3,566 compliance reviews with 2,570 (72.1 percent) resulting in US\$1.2 billion of fines and penalties.<sup>2</sup>

Affordable Care Act compliance for employers falls into three categories:

- 1. Tracking and calculations** – Employers must carefully manage the number of employees for “large group” status, as well as initial and ongoing individual eligibility measurement and management. Other calculations include W-2 and Patient-Centered Outcomes Research Institute (PCORI) fees. For eligibility measurements, employers must know the number of hours worked, which is likely to be managed most thoroughly in a benefits point solution or a separate ACA tracking solution.
- 2. Education and communications** – While employers have long been required to inform employees about benefit offerings, the ACA expands the requirements, including an annual Summary of Benefit and Coverages (SBC) and notice of availability of exchange offerings. Proof of notification must be documented. The complexity increases with multiple plan offerings because SBCs (and some exchanges) are plan-specific.
- 3. Reporting** – The ACA requires reporting on eligibility, affordability and proof of offerings to the government and to employees. Internal Revenue Service reporting must include offer and acceptance or waiver at both the employee and employer level. This same information must be provided to employees.

Of the three areas of compliance, tracking and calculations is the most significant to benefit point solutions. The ACA requires companies to calculate and report “look-back” or measurement periods for each employee. Companies with different types of employees, e.g., variable-hour, temporary, part-time, or seasonal workers, may find determining eligibility to be extremely perplexing. One small error can expose your organization to significant risks and substantial fines.

Many benefit point solutions include tools to help manage eligibility status of each employee depending on full-time criteria (30 hours/week). Tools are available to help employers accumulate, monitor and alert at the employee level according to their standard measurement period, administrative period and applicable stability period; and to determine if coverage is affordable. These tools also support the offer (and documentation) of coverage to eligible employees in a timely manner.

Managing compliance is a natural extension of point solutions’ strengths. Benefit point solutions typically have a good understanding of the complexity of the benefit landscape, because they focus only on benefits, compared to HCM solutions that strive to provide end-to-end solutions.

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## Consumerism and Point Solutions

Affordable Care Act compliance may be the biggest driver for employers to look for new and better technologies to manage employee health and welfare benefits, but consumerism is the far more complex and multifaceted reason to embrace point solutions that effectively engage employees in choosing and using their benefits.

The shift to consumerism in employee benefits is difficult for most employers to grasp. When you consider the employee recruit-to-retire scope, the only “buying experience” is when we buy our benefits. “People tend to buy the most expensive plan, because they think they need it,” says Gallagher’s Bill Roth. “The reality is most claim cost is clustered, with 80 percent of the cost associated with only 20 percent of the population.”

Research from Businessolver compared buying benefits to buying a computer. Consider that the average cost of a computer is US\$650 and the average amount spent annually by the employee on their benefits package is US\$4,000. One in three shoppers spent several days considering the purchase of a computer, but spent only 19 minutes enrolling in their benefits program.

Roth is not surprised at these figures, saying that, “Even with decision-support tools, employees don’t always spend enough time considering their options, and that indicates a need for easier and more intuitive tools. Look at what consumer technology has done for online shopping. There’s no doubt that decision-support tools will continue to get better and engage employees more strongly through improvements in user interface design.”

## Helping Employees Choose and Use

The ACA and the Defined Contribution model are not the only drivers for consumerism. Public and private exchanges have significantly raised awareness of the need for more informed health care consumers. There is an overall demand for more cost and quality transparency in the market.

Choosing plans calls for the employee to be educated on a variety of topics related to health coverages, e.g., government subsidized coverage, insurance concepts and plan option features. Interactivity allows for plan comparisons and selections, and guides employees through health plan decision trees: in short, a better “shopping experience” to support right-sized coverage. Predictive applications provide employees with out-of-pocket cost projections based on actual prior cost and usage from multiple sources. Benefit administration point solutions are advancing their tools in these areas to support the “how-to-choose” aspect of benefits.

“Employees are largely disinterested in benefits until they need them,” says Businessolver’s Shanahan. “Choosing benefits is never going to be reprioritized as ‘fun.’ Given we’re not likely to significantly modify how they think about choosing benefits; we have to use technology to help them avoid making poor decisions. It’s got to be simpler. We have

to ask questions and then offer recommendations based on their response, and also based on others like them – the Amazon model of others like you purchased....”

The same is happening on the “how-to-use” side. Employees must have reliable data to compare/select a physician, facility, or treatment based on cost, quality and outcomes. Pricing must be more transparent within and across networks, which will encourage efficiencies within the overall health care system. Employees also need support to effectively manage their medical spending, while improving their health and wellness.

Employers are increasingly looking to reward or incentive programs to assist in this area. As benefit point solutions become more sophisticated in the area of wellness, e.g., managing wellness credits, increased consumer support will be needed; support typically not available with HCMs. “We’re in a generation of tool and technology development to help employees be smarter about how to choose and use benefits, and to self-serve – bringing it all to them through desktop and hand-held devices,” says Shanahan.

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## Mobility and Consumerism

Mobile technology is fast becoming a leading strategy for engaging and educating employees due to its market penetration, creative tools and options, and relatively low cost. It is also quickly becoming a de facto requirement when sourcing technology platforms for employee health care selection and management. Employers and industry broker/consultants increasingly view mobile applications as a basic criterion to making the first cut in a benefit point solution provider selection process.

While most end-to-end HCM platforms are working to integrate mobility, only best-in-class products bring their full capabilities to mobile devices. Unfortunately, some providers treat mobility as a “check-in-the box,” delivering limited functionality.

“Everyone has a mobile app today, but is it useful, is it functional... what does it do?” asks Amy Osterhagen, vice president of Channel Sales for Mobile Health Consumer. “In many cases, it’s just a static view of information on a mobile device. In my world, that’s not mobile. Mobile is driving behavior by pushing information to a mobile device without the employee having to do anything.” According to Osterhagen, the better benefit mobile apps in the market right now all come from point solutions, which can respond quickly to

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market demand.

“A lot of solutions are not yet feeling the push to have a strong mobile application, but they will soon,” says Osterhaugen. “There is more and more talk about the need for mobile along with the buy-versus-build discussion. The competition will definitely get fiercer in the next couple years.”

### Choosing the Right Point Solution

While I believe point solutions are currently the best approach to help employees smartly choose and use their benefits while ensuring compliance, they must be pursued with due diligence. Not all are equal. Given the many changes underway in the industry, new point solutions are popping up everywhere. Not all are well-designed or well-funded.

Unlike large HCMs, you can build point solutions with minimal capital, but you want to ensure that sufficient resources will continue to be invested in the product to monitor ongoing regulatory changes and make platform modifications accordingly. An inattentive, unfunded point solution is no better (and perhaps worse) than a large HCM system whose core competencies exclude health and benefits enrollment and administration.

### Look for Great Partnership Integrations

When thinking about what I might be writing about HCMs and benefit point solutions a few years from now, I would say both will evolve in response to the management of health care costs and consumerism. I expect some great partnership integrations between strong HCM platforms and strong benefit point solutions platforms out of necessity to meet market demand.

In the not-so-distant future, the vast majority of employees will be digital natives. They will have only known a world where technology drives and supports nearly every aspect of their lives. Services using technology and mobility (think telemedicine, mHealth) will expand as entrepreneurs take advantage of high-quality bandwidth paired with smart phones or whatever the next device is that comes our way.

Employers will continue to shift cost and accountability to

employees, but employees will have become smarter consumers. Information will be more transparent, allowing for ease of making informed choices about benefit coverage and usage.

Health care reform is here to stay, but there will be ongoing modifications to employee health and welfare benefits, requiring the industry to remain attentive and agile – something at which good point solutions excel. When easily integrated with HCMs, it’s a win-win for the employer and the employee.

### Endnotes

- 1 Rhonda Marcucci, “The Benefits Point Solution Stepchild Has Come Home to Roost,” *IHRIM Workforce Solutions Review*, pp. 12-15, February/March, 2012.
- 2 Peter Lewenson, “DOL Fines of \$10,000+ Common in 32% of Health Plan Audits,” *ComplianceBug.com*, September 2014. (<http://learn.compliancebug.com/learn/erisa-dol-fines-are-common/>)

### About the Author



Rhonda Marcucci, MBA, CPA, is a partner and consultant at Gruppo Marcucci (GPM). Within five years of setting her sights on the HR and benefits administration technology outsourcing marketplace, Rhonda Marcucci established Gruppo Marcucci as a go-to source for anyone wishing to understand, enter, or penetrate the benefits administration market. GPM is recognized for its well-researched and unbiased sourcing advice and service provider capability audits, including in the fast-growing exchange marketplace. Gruppo Marcucci works directly with brokers/consultants, employer groups, insurance carriers, service providers, investors and exchange sponsors. A deep working knowledge of the market and its many players, coupled with professional independence, allows GPM to bring together the right players to provide the right solution for the client’s needs. She can be reached at [Rhonda@gruppomarcucci-usa.com](mailto:Rhonda@gruppomarcucci-usa.com).